

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2013-42-S

July 1, 2013

IN RE: Application of Palmetto Utilities, Inc.)
 for Adjustment of Rates and Charges) **SETTLEMENT AGREEMENT**
 for Sewer Service)

This Settlement Agreement is made by and between Palmetto Utilities, Inc. (“Palmetto” or the “Company”) and the South Carolina Office of Regulatory Staff (“ORS”), whom may collectively be referred to as the “Parties” or sometimes individually as a “Party”.

WHEREAS, on March 12, 2013, Palmetto filed an Application for the Adjustment of Rates and Charges (the “Application”) requesting that the Commission approve the revised rates, charges, conditions, and terms of service in certain areas of Richland and Kershaw counties;

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (the “Commission”) pursuant to the procedure established in S.C. Code Ann. § 58-5-240 (Supp. 2012) and 10 S.C. Code Ann. Regs. 103-512.4.B (2012);

WHEREAS, the Company provides sewer service to approximately 11,915 residential and 340 commercial account customers in Richland and Kershaw Counties, South Carolina;

WHEREAS, ORS has examined the books and records of the Company relative to the issues raised in the Application and has conducted financial, business, and site inspections of Palmetto and its wastewater collection and treatment facilities; and



WHEREAS, the Parties have engaged in discussions to determine whether a settlement in this proceeding would be in the best interests of the Company and the Intervenors and in the public interest;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order addressing the merits of this proceeding, will result in rates and charges for sewer service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding, and which will allow the Company the opportunity to earn a reasonable operating margin.

1. The Parties stipulate and agree to the rate schedule attached hereto and incorporated herein by reference as Settlement Agreement Exhibit 1. As reflected therein, the Parties have agreed to a flat rate of \$36.00 per month for residential sewer service and a minimum flat rate of \$36.00 per month for each single-family equivalent ("SFE") for commercial service.

2. The Parties agree that a rate of \$36.00 per month represents an increase of \$3.00 per month from the current rate of \$33.00 per month and is fair, just, and reasonable to customers of the Company's system while also providing the opportunity to earn a fair operating margin which produces additional revenue of \$609,897.00. The Parties stipulate that the resultant operating margin is 18.06%.

3. The Parties further agree that Palmetto shall continue to utilize the South Carolina Department of Health and Environmental Control's ("DHEC") "Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities" found at Appendix A to 6 S.C. Code Ann. Regs. 61-67 (2012) to determine the Single Family Equivalents ("SFEs") attributable to commercial customers as provided for in its current rate schedule with a single

modification. Specifically, restaurants with “drive-thru” facilities (such as those operated by Intervenor) are to have their number of SFE’s determined based upon the number of cars which make purchases from such restaurants through a “drive-thru” window each day using an equivalency factor of ten (10) gallons per car, as opposed to the forty (40) gallons per car provided in the DHEC Guidelines which is the number of gallons as assigned to each seat in such restaurants. The Parties agree to this modification to the rate schedule in recognition of the fact that a meal purchased by a customer through a “drive-thru” window places less capacity demand upon Palmetto’s system than does a customer dining at a seat in such restaurants.

4. Palmetto further agrees that it will not include take-out orders for restaurants whose SFEs are determined by reference to the number of seats under the DHEC Guidelines in its determination of SFEs for commercial customers.

5. The Parties agree that ORS shall have access to all books and records of this system and shall perform an examination of these books as necessary.

6. Palmetto agrees to continue to maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts as required by the Commission’s rules and regulations.

7. The Company agrees to file all necessary documents, bonds, reports and other instruments as required by applicable South Carolina statutes and regulations for the operation of a sewer system.

8. The Company agrees that this system is a “public utility” subject to the jurisdiction of the Commission as provided in S.C. Code Ann. § 58-5-10(4) (Supp. 2012). The Company agrees to maintain its current certificate of deposit in amount of Three Hundred and

Fifty Thousand (\$350,000.00) Dollars in satisfaction of the requirements set forth in S.C. Code Ann. § 58-5-720 (Supp. 2012).

9. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission Order issued approving this Settlement Agreement and the terms and conditions contained herein.

10. The Parties agree to stipulate into the record the pre-filed direct and settlement testimonies and exhibits of Donald J. Clayton, Fred (Rick) Melcher, III, R. Stanley Jones, Marion F. Sadler, Jr., and Edward R. Wallace, Sr. on behalf of Palmetto, as well as the pre-filed direct testimony and Audit Exhibits ICG-1 through ICG-4 of ORS witness Ivana C. Gearheart and the pre-filed direct testimony and Exhibits WJM-1 through WJM-6 of ORS witness Willie J. Morgan in support of this Settlement Agreement.

11. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2012). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the agreement reached between the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public



while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. The Parties stipulate and agree to these findings.

12. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair in any way their arguments or positions they may choose to make in future Commission proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

13. This Settlement Agreement shall be interpreted according to South Carolina law.

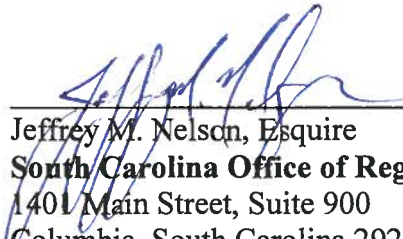
14. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of this Settlement Agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

15. The Parties represent that the terms of this Settlement Agreement are based upon full and accurate information known as of the date this Settlement Agreement is executed. If, after execution, either Party is made aware of information that conflicts, nullifies, or is otherwise materially different than that information upon which this Settlement Agreement is based, either Party may withdraw from the Settlement Agreement with written notice to the other Party.

[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]

A handwritten signature in blue ink, appearing to be "J. Smith", is written over the page number 5.

Representing the South Carolina Office of Regulatory Staff



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